

Pentagon to Give Data On Federal Services

Associated Press

The Defense Department agreed yesterday to give congressional investigators a list of any of its officials who have been visited recently by directors or other personnel of Federal Services Finance Corp., which is headquartered in Washington.

Eight of the 12 directors of the local corporation, which does a \$67 million a year business in loans to service, are men retired high-ranking military officers. A House Banking Cubcommittee has been investigating complaints of unethical practices by the company.

Assistant Secretary of Defense Norman S. Paul told the subcommittee a special inter-service group is working on ways "to protect the servicemen from being subjected to sharp practices."

Some possible requirements, he said, would be clear disclosure of interest and costs, use of standard forms and prohibition of any penalties for prepayment. Paul said whatever requirements were agreed on might be enforced by denying permission for servicemen to make allotments of their pay for the benefit of non-conforming lenders and refusal of any assistance by the services in settling delinquent accounts.

Rep. Richard T. Hanna (D-Calif.) told Paul the Defense Department should also use the threat of declaring an unapproved lender "off limits." This procedure, usually employed against bars or other establishments considered to

offer hazards to service men, forbids military personnel to deal with them.

Paul said he does not know of "any case where the off-limits procedure has been used against a widespread business." He agreed, however, that the military does have the authority.

Rep. Compton I. White Jr. of Idaho said he could not agree that the size of a business should determine whether the off-limits procedure should be used or not. Paul said he concurred that the conduct of the business should be the main determining factor.

Rep. Frank Annunzio (D-Ill.) suggested that in any case Federal Services be "put off limits for the period of time until the investigation is completed."

Paul did not comment on this suggestion.

Rep. Paul H. Todd Jr. (D-Mich.) told Paul he thinks there is potential danger in the fact that eight out of 12 members of the board of directors are retired admirals, generals or other high military officers.

"This might give the serviceman a feeling that the company has an aura of respectability and that he is protected because highly respectable people are on the board," Todd said.

He emphasized he does not question the integrity of the retired officers, but "I am just afraid these very fine people may be used."

Paul said he was sure any of the officers would resign from the board if he felt he were being used. Rep. W. E. Brock (R-Tenn.) said that since the company specialized in dealing with servicemen "it is logical to have service people on the board who know the needs of servicemen."

Rep. William B. Widnall (R-N.J.) said there had been talk of 1000 complaints to the military services about Federal Services, but that the information compiled by the services

showed only 180 complaints.

One matter Paul agreed specifically to have investigated was the testimony of a previous serviceman witness that he had apparently signed an allotment form that was in the possession of an automobile salesman without knowing that he was authorizing a deduction from his pay. Paul and other service witnesses said regulations were clear that an allotment was not to be registered unless the serviceman personally signed it in the presence of a disbursing officer.